



The **March 2023** Budget

WHAT SMALL BUSINESS
OWNERS NEED TO KNOW



WHAT WE ALREADY KNEW

No change to the planned raise in corporation tax to 25% for businesses earning over £250k in profit



Leaked and previously announced tax increases are still going ahead

- Corporation tax from April 1st 2023 to increase to 25% for companies with profits over £250,000. Companies with profits under £50,000 will be taxed at 19%. Companies with profits between £50,000 and £250,000 will be taxed between 19% and 25%
- Still support for energy bills. After April 2023 the Energy Price Guarantee will go up to £2500 per year for a 'typical' household and be maintained at that level until end of June 2023
- Income tax and National Insurance contributions thresholds are staying the same until April 2028



This was a budget aimed at getting people back into work.



The chancellor aims to get more people back into work by:

- Providing more funded childcare. 30 hours a week of free childcare is being extended to working parents of 1 and 2-year-olds
- Completely removing the pensions lifetime allowance, currently £1.07m
- Increasing the amount people can pay into a pension tax free, i.e. from £40k per year to £60k per year
- The tapering threshold has been increased from £240,000 to £260,000 and the allowable pension deduction for high earners has increased from £4,000 to £10,000
- Providing more money to schools to help with wrap-around care



There was a little bit of help for small businesses

- The 5p reduction in fuel duty is being extended for another year
- The energy price cap freeze at £2500 for consumers will be extended for another 3 months. i.e. until the end of June 2023
- The Energy Bills Discount Scheme is being maintained until 31st March 2024 for all eligible businesses
- The 130% super deduction tax for investments in plant and machinery which stopped at the end of March is being retained but at the 100% level with 'full expensing'
- 12 investment zones which will attract tax reliefs and grant funding
- Small companies that spend over 40% of their costs on R&D will receive £27 from HMRC for every £100 of R&D investment

What is 'full expensing'?

In 2021, the government introduced the super-deduction to go further to encourage companies to invest. This was due to end on 31st March 2023. The government is now introducing 'full expensing', a 100% First Year Allowance, from 1st April 2023 until 31st March 2026.

For investments in qualifying plant and machinery such as IT equipment the full cost can be deducted against profits in the year it was incurred.



What does this mean for your small business?

Your wage costs and National Insurance payments are going up from April 2023.

Paying yourself via dividends rather than PAYE is getting even less tax efficient.



We can help you understand what this means for your profits and how to take money out of your business tax efficiently.



Change in the capital gains tax rules on divorce

Previously, separating spouses only had the tax year of separation in which to transfer marital assets at no gain/no loss. This was too short of a period and unfairly penalised those separating later in the tax year.

Under new rules there is now a three-year period from the date of separation where such transfers can be made with no CGT impact.



Actions you need to take now

- With the National Minimum Wage rising on the 6th April 2023, who in your staff will need a pay rise?
- Doing your personal tax planning has never been so important, i.e.
 - Decide on whether it would be better to pay yourself more via PAYE rather than PAYE and dividends? i.e. with changes to dividend tax credits and higher tax bands if your business is making over £50k in profit
 - Would it make more sense to increase your payments to your pension? Particularly as you may be able to make £60k a year of contributions tax-free
 - You may wish to reassess which business structure is best suited to you – sole trader or limited company
- If you haven't already, model your cashflow and forecast your cost base for 2023

